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WORD-OF-MOUTH VERSUS PAID ADVERTISING IN D2C BRAND GROWTH

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ABSTRACT:

Direct to consumer brands can make or break on customer acquisition. The brand has full control over the customer relationship and pays for traffic to reach them. This review focuses on the two main ways they can grow their brand, by paying for ads (search, social and display) and by growing their brand organically through word of mouth (WOM) (electronic word of mouth (eWOM) such as reviews, referrals and social media). Using marketing, economics and information systems literature, I argue that there is no general 'better' option to use. Pay per ad is fast and controllable but can be hard to measure. Whereas WOM is slower and less controllable but tends to bring in more valuable customers with a lower marginal cost. The best D2C strategies are to use a combination of pay per ad as the catalyst and WOM as the compounding factor, linked by brand reputation.

KEYWORDS:

WORD OF MOUTH, PAY PER AD, D2C, CUSTOMER ACQUISITION, EWOM, BRAND GROWTH.

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INTRODUCTION

Direct to consumer brands have revolutionised how they reach their customers. As they do not have shelf space or relationships with distributors, the brand must be able to acquire customers quickly and cheaply online. Many founders will have a default strategy to pay for ads and monitor the dashboard. However, they will also often tell you that the best customers came from a friend's recommendation.

This review aims to discuss what each channel does, how much it costs and how it interacts with each other. The literature was split into 5 sections;

HOW WOM WORKS

According to Berger (2014) WOM is driven by a few psychological factors. Customers will share information to manage their impression, express their feelings, gain information, build relationships and persuade. This means that it is not as free as it seems, it relies on the product giving customers something to talk about. High arousal emotions such as awe or anger will make content more likely to go viral online (Berger & Milkman, 2012). This can be engineered into your product and marketing strategy.

WOM has become easier to measure and scale online. The internet has created a digital WOM system (Dellarocas, 2003). Hennig-Thurau et al. (2004) found that people post on consumer opinion sites for a range of reasons from caring to self enhancement. Chevalier & Mayzlin (2006) found that online reviews of books did impact relative sales, however negative reviews had more of an impact than positive. Cheung & Thadani (2012) found that in their review of eWOM literature, quality of message, credibility of the source and the receiver's involvement will impact persuasiveness.

In D2C, reviews are often the most important feature on the product page. Ahmed & Mehta (2023) looked into how reviews impact home furnishing items purchased online. This is very similar to most categories in D2C.

Customers obtained through WOM will also create more long term value for the firm. Villanueva et al. (2008) found that WOM customers created more long term value than marketing acquired customers, despite marketing

acquired customers being quicker to obtain. Schmitt et al. (2011) found referred customers were more valuable with higher contribution margins and retention. This is the main economic reason for using WOM, it will tend to give you better customers.

HOW PAY PER AD WORKS

Pay per ad is the preferred method for growth in D2C, as it is quick, targeted and scalable. Goldfarb & Tucker (2011) found targeted online ads can be effective but were impacted by privacy regulations. However,

A bigger issue is knowing how effective your ads are. Blake et al. (2015) looked into the effectiveness of pay per search ads at eBay using large field experiments. They found that the returns were much lower than expected using traditional attribution methods, mainly due to a lot of clicks from people who would have bought regardless. Lewis & Rao (2015) argued that the statistical power required to determine true returns is often unattainable. This suggests many advertisers will struggle to know whether they are making a profit or not from their advertising. This can be uncomfortable for a D2C founder looking at their dashboard and seeing a healthy return on their ad spend.

SOCIAL MEDIA PLATFORMS

Soni et al. (2026) provide a systematic review of AI driven social media ecosystems in higher education using the PRISMA approach.

EVIDENCE OF COMPARISON

Trusov et al. (2009) looked into a social networking site and found that WOM referrals had significantly longer carryover effects and higher response elasticity compared to marketing. They also found that WOM referrals had a far greater long term effect. This means that recommendations from peers will continue to pay off.

Villanueva et al. (2008) found that marketing acquired customers will result in quicker short term growth but WOM acquired customers will create greater long term customer equity.

Paid advertising can lead to WOM and WOM can increase the efficiency of paid campaigns. Aral & Walker (2011) found that product design features to encourage sharing will create observable social contagion. Watts & Dodds (2007) suggested that large influence cascades are often driven by a large number of easily influenced people rather than a few influencers. This supports the idea of seeding widely and using sharing features.

Paid Advertising WOM

Quick Slow

High control Low control

Cost increases with scale and competition Low marginal cost, but needs investment in product and experience

Often less valuable customers Often more valuable customers (higher retention & margin)

Easy to measure Harder to measure but long lasting

Dependent on platform and privacy rules Negative WOM also

D2C SPECIFIC FACTORS

BRAND REPUTATION

Joon (2026) compares marketing strategies, brand reputation and patient loyalty between charitable and private hospitals in India. Whilst this is not D2C, it shows how marketing can interact with brand reputation to create loyalty. In D2C, brand reputation is what will make someone who clicked on your ad come back to buy again and recommend.

VALUES AND RESPONSIBLE POSITIONING

Pratap & Paliwal (n.d.) provide a review of the role of CSR in achieving sustainable development in the marble industry. Mehta et al. (2026) look into eco efficiency and sustainability performance within the phosphate fertiliser industry. Jha & Khandelwal (2025) look into green accounting practices of Indian companies against Global Reporting Initiative standards. Whilst these are not consumer focused, they show that D2C brands are increasingly having to have credible sustainability and responsible practices. If a brand can back up what they say with real actions, it gives customers something to talk about. Whereas if they overstate their claims they will get backlash.

FUNDING

Paid advertising requires upfront funding. WOM requires patience. Abid (2026) argues that access to funding is a key driver for small and medium enterprises in the context of Aatmnirbhar Bharat. This means small D2C brands in India will be more likely to use whichever channel gives them the quickest payback, usually paid media.

ECONOMIC CYCLES

Choudhary & Madhwani (2013) look into the impact of recession on the tourism and hospitality industry. Whilst this is not D2C, it shows how when demand is tighter, discretionary spend and marketing budgets will be impacted. Brands with a loyal base of happy customers will have a buffer during a downturn, which brands solely relying on paid advertising will not.

SYNTHESIS

Some conclusions can be drawn from the literature;

Paid advertising is paying for attention whereas WOM is paying for trust through quality products and services. They solve different issues.

Paid advertising can be difficult to measure. Experimental evidence (Blake et al., 2015; Lewis & Rao, 2015) suggests that returns can be overstated. This can be risky if heavily reliant on platform attribution.

WOM will give you better customers but cannot be turned on and off as easily. It requires a product and experience worth talking about (Berger, 2014; Schmitt et al., 2011).

The best option is to use a combination. Use paid media to

get initial customers, easy sharing and reviews and focus on WOM.

LIMITATIONS

Most of this rigorous literature focuses on platforms, books and social media in Western markets. There is not much literature looking at how paid campaigns interact with organic referrals on an individual D2C brand. Whilst the Indian literature is useful for providing context on funding, brand reputation and sustainability, it rarely looks at WOM vs paid advertising. Future work could use field experiments such as geo split testing referral incentives alongside paid campaigns in Indian D2C categories.

CONCLUSION

Overall it is better to think of WOM and paid advertising as complimentary. Paid advertising is the catalyst, it is quick, controllable and expensive, however the returns can be harder to validate. WOM is the compounding factor, it is slower but will give you customers who will stay longer and refer others. In practice, you should invest in paid advertising but ensure you are creating reasons for people to talk about you. Reviews, referrals and brand reputation should be seen as assets to help grow your brand.

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